

Message Text

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47

ACTION IO-13

INFO OCT-01 AGR-10 USIA-15 AID-05 EB-07 AF-08 ARA-10 EA-09

EUR-12 NEA-10 COME-00 ISO-00 TRSE-00 IOE-00 L-03 /103 W
----- 017174

P 201515Z APR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 7070

INFO AMEMBASSY COLOMBO

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

AMEMBASSY NAIROBI

USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY JAKARTA

AMEMBASSY CANBERRA

UNCLAS ROME 6372

FODAG

E.O. 11652: N/A

TAGS: ETRD EAGR FAO

SUBJ: INTERNATIONAL TEA AGREEMENT AND FAO INTERGOVERNMENTAL
GROUP ON TEA.

REF: (A) ROME 2959, (B) ROME 4926

SUMMARY: UK HAS SUBMITTED A DRAFT OUTLINE OF A POSSIBLE INTER-
NATIONAL

TEA AGREEMENT FOR CONSIDERATION BY FAO INTERGOVERNMENTAL
GROUP ON TEA. OUTLINE QUOTED HEREIN AND IS SKELETAL AGREEMENT
FOR PUTTING TEA EXPORT QUOTAS INTO EFFECT IF PRICES DECLINE.

UK SUGGESTS IG ON TEA DISCUSS POSSIBLE OUTLINE AND IF SUFFICIENT
AGREEMENT REACHED, A NEGOTIATING CONFERENCE BE CALLED. US
DELEGATE TO IG ON TEA APRIL27-30 SHOULD BE PREPARED TO RESPOND.
END SUMMARY.

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1. UK HAS SUBMITTED A PAPER TO FAO 'INTERGOVERNMENTAL

GROUP ON TEA ENTITLED, OUTLINE OF A POSSIBLE INTERNATIONAL AGREEMENT. THIS PAPER IS ALONG THE LINES REPORTED IN REFTEL A, BUT SPELLS IT OUT IN MORE DETAIL AND IS QUOTED IN PARA 3 BELOW.

2. IN SUBMITTING PAPER UK MAKES CLEAR NO AGREEMENT WAS REACHED ON POSSIBLE INTERNATIONAL AGREEMENT WAS REACHED ON POSSIBLE INTERNATIONAL AGREEMENT AT COMMONWEALTH TEA EXPORTERS MEETING IN LONDON MARCH 8-10, 1976. UK EXPLAINS THAT STABILITY OF PRICES IS EXPECTED IN TEA EXPORTING MARKET, BUT AGREEMENT IS NECESSARY IN CASE SUPPLIES AGAIN FORCE DOWN PRICES IN THE FUTURE. UK PAPER SUPPORTS EXPORT QUOTAS AS VERY EFFECTIVE WAY OF HALTING PRICE DECLINES. UK PAPER NOTES QUOTE: THE MAIN PROBLEMS WOULD BE TO NEGOTIATE THE PRICE OR PRICES AT ANNUAL QUOTAS.. THESE WOULD NEED TO BE FIXED IN SUCH A WAY AS TO MAINTAIN THE DYNAMIC OF TEA MARKET WHILE INTRODUCING A MECHANISM WHICH WOULD BE AVAILABLE TO PREVENT A MARKET SLUMP AND A LONG-TERM DEPRESSION OF PRICES. THIS COULD ONLY BE DONE AT A FULL-SCALE NEGOTIATING CONFERENCE. UNQUOTE.UK SUGGEST THAT IG ON TEA DISCUSS THESE QUESTIONS AND IF THERE IS SUFFICIENT AGREEMENT ON THE NEED FOR AND GENERAL SHAPE OF AN INTERNATIONAL AGREEMENT, A NEGOTIATING CONFERENCE COULD BE CALLED.

QUOTE:

3/. OUTLINE OF A POSSIBLE INTERNATIONAL AGREEMENT.

INTRODUCTION

(1) THE MAIN FEATURE OF THE OUTLINE INTERNATIONAL TEA AGREEMENT WHICH FOLLOWS IS THAT IT WILL IMPOSE RESTRICTIONS ON THE MARKET ONLY IF THEY ARE NEEDED AND WILL REMOVE THOSE RESTRICTIONS AS SOON AS POSSIBLE. MAIN POINTS TO BE COVERED IN AN INTERNATIONAL AGREEMENT:

(2) LIFE OF THE AGREEMENT: FIVE YEARS IS COMMONLY USED BUT COULD BE FOR A DIFFERENT PERIOD: FOR EXAMPLE, INITIALLY THREE YEARS WITH PROVISIONS FOR AUTOMATIC EXTENSION BY A FURTHER THREE YEARS AS IN THE INTERNATIONAL COFFEE AND COCOA AGREEMENTS.

(3) INSTITUTIONS: AN INTERNATIONAL TEA ORGANIZATION WOULD BE UNCLASSIFIED

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REQUIRED TO ADMINISTER THE AGREEMENT. IT WOULD NEED TO INCLUDE A SMALL PERMANENT SECRETARIAT UNDER THE AUTHORITY OF A COUNCIL COMPOSED OF ALL MEMBERS. SUBSIDIARY BODIES, OF WHICH THE MAIN ONE WOULD BE AN EXECUTIVE COMMITTEE, WOULD MANAGE MORE ROUTINE MATTERS. THE SECRETARIAT WOULD BE HEADED BY AN EXECUTIVE DIRECTOR, ONE OF WHOSE CHIEF RESPONSIBILITIES WOULD BE TO RECRUIT SUFFICIENT STAFF TO PERFORM THE DUTIES ASSIGNED TO THE SECRETARIAT.

(4) QUOTAS: EACH YEAR THE COUNCIL WOULD DETERMINE AN ANNUAL GLOBAL QUOTA, TAKING ACCOUNT OF INTER ALIA, PAST AND PROSPECTIVE TRENDS IN THE CONSUMPTION OF IMPORTING MEMBERS, CHANGES IN STOCK LEVELS AND THE LEVEL OF NON-MEMBER IMPORTS. THIS QUOTA WOULD BE EQUIVALENT TO AN ESTIMATE OF CONSUMING MEMBERS' IMPORT REQUIREMENT IN THAT YEAR. TO HELP STABILIZE PRICES, ANNUAL QUOTAS WILL NEED TO BE INCREASED OR DECREASED IN LINE WITH PRICE MOVEMENTS. THE COUNCIL COULD DECIDE THESE ADJUSTMENTS ANNUALLY.. PROVISIONS FOR CALCULATION OF EXPORT QUOTAS WOULD BE AS FOLLOWS: (A) EACH EXPORTING MEMBER WOULD HAVE A BASIC QUOTA; THIS COULD BE ESTABLISHED IN ANY OF A NUMBER OF DIFFERENT WAYS, FOR EXAMPLE, IN RELATION TO ITS AVERAGE EXPORT PERFORMANCE OVER A PERIOD TO BE AGREED, OR ITS BEST PERFORMANCE IN ANY ONE YEAR. PROVISION COULD BE MADE FOR ADJUSTMENT OF THE BASIC QUOTA DURING THE LIFE OF THE AGREEMENT; (B) IN THE EVENT OF THE COUNCIL DECIDING TO INTRODUCE QUOTAS, EACH EXPORTING MEMBER WOULD BE ALLOCATED A SHARE OF THE ANNUAL GLOBAL QUOTA, THAT SHARE BEING PROPORTIONATE TO THE MEMBER'S BASIC QUOTA..

(5) /INTRODUCTION AND SUSPENSION OF QUOTAS/: PROVISION WOULD BE NEEDED FOR QUOTAS TO BECOME OPERATIVE IF PRICES FELL TO A PRE-DETERMINED LEVEL, OR ONCE IMPOSED, TO BE SUSPENDED IF PRICES ROSE TO ANOTHER PRE-DETERMINED LEVEL. THE DETERMINATION OF THE LEVEL WOULD BE A DECISION FOR THE COUNCIL TO TAKE EACH YEAR BUT THERE COULD BE PROVISION FOR ITS AUTOMATIC DETERMINATION IN CASE THE COUNCIL FAILED TO MAKE A DECISION.

(6) INDICATOR PRICES: THE INTRODUCTION, SUSPENSION AND ADJUSTMENT OF QUOTAS WOULD BE TRIGGERED BY THE MOVEMENT OF AN INDICATOR PRICE OR PRICES ESTABLISHED BY THE COUNCIL.

(7) CONTROL SYSTEM: IT WOULD BE NECESSARY TO SET UP A SYSTEM
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TO ENDURE THAT QUOTAS WERE OBSERVED. THESE ARE WELL TRIED MODELS WHICH COULD BE EMULATED. FOR EXAMPLE, EVERY CONSIGNMENT OF TEA WOULD HAVE TO BE ACCOMPANIED BY A CERTIFICATE OF ORIGIN BEARING STAMPS OF THE APPROPRIATE DENOMINATION AUTHORIZED BY THE INTERNATIONAL TEA ORGANIZATION.

(8) /SHORTFALLS/: IT WOULD BE NECESSARY TO PROVIDE FOR QUOTA NOT NEEDED OR UNABLE TO BE USED, TO BE DECLARED AND REDISTRIBUTED.

(9) /SMALL EXPORTERS/: PRODUCERS WHICH EXPORT LESS THAN AN AGREED QUANTITY PER YEAR MIGHT BE EXEMPT FROM QUOTAS.

(10) /ASSURANCE OF SUPPLIES/: THERE MIGHT BE A PROVISION

REQUIRING EXPORTERS TO GIVE PRIORITY TO IMPORTING MEMBERS AND ONLY
TO RESTRICT SALES IN ACCORDANCE WITH THE PROVISIONS OF THE AGREEMENT.

(11) /PRODUCTION POLICY/: MEASURES MAY BE NEEDED REQUIRING
MEMBERS TO ADOPT AND IMPLEMENT PRODUCTION POLICIES AIMED AT
ACHIEVING THE OBJECTIVE OF THE AGREEMENT. THE COUNCIL MAY
BE EMPOWERED TO ESTABLISH PROCEDURES FOR COORDINATING PRODUCTION
POLICIES, TO RAISE FUNDS FOR AND TO CARRY OUT STUDIES WHICH
WOULD HELP MEMBERS TO ADOPT MEASURES NECESSARY TO PURSUE THE
REQUIRED PRODUCTION POLICY.

(12) /PROMOTION/: PROVISIONS MAY BE INCORPORATED REFLECTING
ANY AGREEMENT REACHED ON TEA PROMOTION FOLLOWING THE WORK OF THE
COMMONWEALTH SECRETARIAT AND THE GATT/UNCTAD INTERNATIONAL
TRADE CENTER.

(13) /OBSTACLES TO CONSUMPTION/: MEMBERS WOULD BE UNDER AN OBLIGATION
TO REDUCE OR REMOVE OBSTACLES TO INCREASED TEA CONSUMPTION.

(14) /CONDUCT OF MEMBERS' ACTIVITIES: MEMBERS WOULD CONDUCT
THEIR ACTIVITIES WITHIN THE FRAMEWORK OF THE AGREEMENT IN A MANNER
CONSONANT WITH NORMAL TRADE PRACTICES, WOULD AVOID DISCRIMINATORY
SALES PRACTICES, AND WOULD TAKE ACCOUNT OF THE LEGITIMATE INTERESTS
OF ALL THOSE ENGAGED IN THE TEA TRADE.

(15) /INFORMATION STATISTICS AND STUDIES/: THE INTERNATIONAL
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TEA ORGANIZATION WOULD ACT AS A CENTER FOR THE COLLECTION AND
DISSEMINATION OF INFORMATION AND STATISTICS ON ALL ASPECTS
OF TEA. THE COUNCIL MAY REQUIRE MEMBERS TO PROVIDE RELEVANT
INFORMATION AND STATISTICS AND ITSELF PUT IN HAND APPROPRIATE
STUDIES.
END QUOTE.

4. RECOMMEND US DELEGATION TO IG ON TEA MEETING IN ROME
APRIL 27-30 HAVE INSTRUCTIONS ON ISSUES RAISED BY UK PAPER.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, TEA, EXPORT QUOTAS, TRADE AGREEMENTS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 20 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME06372
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760149-0455
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760443/aaaabkik.tel
Line Count: 211
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION IO
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 ROME 2959, 76 ROME 4926
Review Action: RELEASED, APPROVED
Review Authority: oatisao
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2004 by SilvaL0>; APPROVED <20 SEP 2004 by oatisao>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERNATIONAL TEA AGREEMENT AND FAO INTERGOVERNMENTAL GROUP ON TEA.
TAGS: ETRD, EAGR, UK, US, FAO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006